

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



**CORRECTED
FISCAL NOTE**

SB 12 – HB 242

April 17, 2009

SUMMARY OF BILL: Authorizes the use of sick leave in lieu of annual leave by state employees who are members of the military who would otherwise take leave without pay while on military duty. Requires Tennessee Consolidated Retirement System (TCRS) to include, in the calculation of the highest five years of salary, credit for active military status with proof provided.

ESTIMATED FISCAL IMPACT:

On March 6, 2009, we issued a fiscal note indicating an *increase in state expenditures of \$78,300*. Based on further review and additional information provided by the Department of Human Resources, the fiscal impact of the bill is as follows:

(CORRECTED)

Increase State Expenditures - \$38,500

Assumptions:

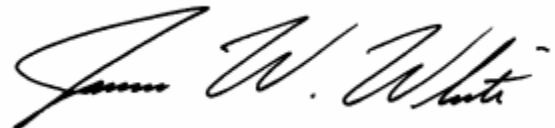
- State employees currently deployed under Operation Enduring Freedom (OEF) receive supplemental payment from the state as their employer while on active duty and therefore would not enter a leave without pay status.
- State employees only enter leave without pay status when all annual leave is expended and time is taken that does not qualify under the sick leave guidelines.
- Current average salary of state employees is estimated at \$38,935. Average hourly rate of pay is estimated at \$21.63 (\$38,935/1,800 hours worked per year).
- According to the Department of Human Resources, as of April 9, 2009, there are currently over 240 state employees who are members of the Army or Air National Guard that have utilized some or all of their 20 days (150 hours) of military leave for calendar year 2009. Of the 240 employees, 55 are deployed under Operation Enduring Freedom and used all military leave in January.

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- For estimation purposes, data from calendar year 2007 instead of 2008 was used. It is estimated that 2008 numbers would be skewed as a result of the Voluntary Buyout Program (VBP).
- According to the Department of Human Resources, for calendar year 2007, there were 5,590 employees that terminated employment with the state. At time of termination, the average number of hours of annual leave for these employees was 63.5 hours. In that same period, there were 418 state employees who were members of the military. An average of 113 hours of the 150 hours of military leave was expended by these employees during calendar year 2007.
- All 240 state employees who are currently members of the Army or Air National Guard will terminate their state employment with a 63.5 hour balance of annual leave to be paid to the employee in cash.
- All 240 employees will not leave state government in the same fiscal year.
- An average of 11.6 percent turnover rate was estimated for calendar years 2007 (12.16 percent) and 2008 (11.07 percent not including VBP). There will be 28 employees ($240 \times 11.6\% = 27.84$) leave the state each year for a total estimated increase in state expenditures of \$38,458.14 ($28 \times 63.5 \text{ hours of annual leave} \times \21.63).
- According to the Department of Treasury, there are currently provisions made to include active military service in a state employee's retirement credit and therefore this bill would be no fiscal impact on the TCRS pension system.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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